

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 21, 2018**

Kristen Court Apartments II, located at 9027 N Street in Live Oak, requested and is being recommended for a reservation of \$218,205 in annual federal tax credits to finance the new construction of 24 units of housing serving large families with rents affordable to households earning 40-50% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 4 and Assembly District 3.

**Project Number** CA-18-715

**Project Name** Kristen Court Apartments II  
**Site Address:** 9027 N Street  
 Live Oak, CA 95953 County: Sutter  
**Census Tract:** 507.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$218,205	\$0
Recommended:	\$218,205	\$0

**Applicant Information**

**Applicant:** Live Oak Pacific Associates II, a California Limited Partnership  
**Contact:** Caleb Roope  
**Address:** 430 E. State Street, Suite 100  
 Eagle, ID 83616  
**Phone:** (208) 461-0022  
**Email:** calebr@tpchousing.com

**General Partner(s) or Principal Owner(s):** TPC Holdings V, LLC  
 Sutter Community Affordable Housing  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** TPC Holdings V, LLC  
 Sutter Community Affordable Housing  
**Developer:** Pacific West Communities, Inc.  
**Investor/Consultant:** Boston Capital  
**Management Agent:** Aperto Property Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 3  
 Total # of Units: 24  
 No. / % of Low Income Units: 24 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME  
 Utility Allowance: CUAC

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: May 1, 2018

**Information**

Housing Type: Large Family  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Tiffani Negrete

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 24	100%

**Unit Mix**

12 2-Bedroom Units
12 3-Bedroom Units
<u>24 Total Units</u>

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 2 Bedrooms	40%	40%	\$540
6 2 Bedrooms	50%	50%	\$675
6 3 Bedrooms	40%	40%	\$623
6 3 Bedrooms	50%	50%	\$778

TCAC-confirmed Projected Lifetime Rent Benefit: \$5,872,680

**Project Cost Summary at Application**

Land and Acquisition	\$242,500
Construction Costs	\$4,028,967
Rehabilitation Costs	\$0
Construction Contingency	\$200,000
Relocation	\$0
Architectural/Engineering	\$345,000
Const. Interest, Perm. Financing	\$405,000
Legal Fees, Appraisals	\$80,000
Reserves	\$125,887
Other Costs	\$905,931
Developer Fee	\$870,382
Commercial Costs	\$0
<b>Total</b>	<b>\$7,203,667</b>

**Residential**

Construction Cost Per Square Foot:	\$175
Per Unit Cost:	\$300,153
True Cash Per Unit Cost*:	\$289,887

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank (T.E. Bonds)	\$4,500,000
City of Live Oak - HOME	\$1,500,000
Deferred Costs	\$125,887
Deferred Developer Fee	\$870,382
Tax Credit Equity	\$207,398

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank (T.E. Bonds)	\$450,000
City of Live Oak - HOME	\$4,500,000
Deferred Developer Fee	\$246,382
Tax Credit Equity	\$2,007,285
<b>TOTAL</b>	<b>\$7,203,667</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$6,672,931
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$6,672,931
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$218,205
Approved Developer Fee (in Project Cost & Eligible Basis):	\$870,382
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.91991

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$6,672,931
Actual Eligible Basis:	\$6,672,931
Unadjusted Threshold Basis Limit:	\$8,470,656
Total Adjusted Threshold Basis Limit:	\$19,254,025

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.27% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Significant Information / Additional Conditions**

This project is Phase II of Kristen Court Apartments, Phase I (CA-15-060) and both phases will share community facilities, play structure and manager's unit. Both phases are under the control of Pacific West Communities, Inc., and prior to the start of construction, a joint use agreement shall be in place. The Joint Use Agreement shall be provided in the placed in service submission.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Live Oak, has completed a site review of this project and has taken no position on this project.

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**CDLAC Additional Conditions:** None.